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April 8, 2009

Ms. Katherine Ehmann
Vice President of Finance
OMS National Insurance Company
6133 N. River Road – Suite 650
Rosemont, IL 60018

RE: ILLINOIS MEDICAL MALPRACTICE DATA CALL

Dear Kathy:

OMS National Insurance Company (OMSNIC) has requested assistance from Milliman, Inc. (Milliman) in responding to the medical malpractice data call issued by the Illinois Department of Insurance. Specifically, we have been asked to provide the following information:

- Claims-made step factors and tail factors used by OMSNIC in Illinois;
- Other factors used in the rate development, including:
 - Contingency load;
 - Death, Disability and Retirement (DDR) provision;
 - Commission expenses;
 - General expenses;
 - Other acquisition expenses;
 - Taxes, licenses and fees;
 - Impact of class/territory changes (i.e., off-balance factor);
 - Profit load;
 - Reinsurance load;
 - Investment income provision;
 - Schedule credits/debits; and
 - Other factors.

In addition to specifying the factors outlined above, we have also been asked to provide a general description of the actuarial methodologies we use to monitor and assess OMSNIC's loss and loss adjustment expense reserves. Finally, we have allocated our November 30, 2008 countrywide ultimate loss and allocated loss adjustment expense (ALAE) estimates to a state-specific level and have summarized those results for Illinois.

Background on OMSNIC's Illinois Rates

OMSNIC is incorporated as a risk retention group (RRG) and, as such, is not required to file its rates with any of the state insurance departments. However, OMSNIC maintains a rating plan, which is annually reviewed by Milliman. We have based our discussion within this letter on our most recent such analysis for OMSNIC, which was performed as of June 30, 2008.

Claims-Made Step Factors and Tail Factors

The following table provides OMSNIC's claims-made step factors and tail (also referred to as reporting endorsement) factors, expressed as a function of the mature claims-made rate:

COVERAGE YEAR	CLAIMS-MADE STEP FACTOR	TAIL FACTOR
1 st	0.37	0.69
2 nd	0.67	1.06
3 rd	0.85	1.22
4 th	0.94	1.29
Mature	1.00	1.31

Other Factors Used in Rate Development

The following table provides a summary of the other factors we relied on in developing our indicated rates for OMSNIC:

FACTOR	PROVISION	COMMENT
Contingency Load	0.0%	Function of premium
DDR Load	5.0%	Function of loss and LAE ¹
Commission Expense	5.9%	Function of premium
General Expense	10.5%	Function of premium
Other Acquisition Expense	2.3%	Function of premium
Taxes, Licenses and Fees	1.9%	Function of premium
Class/Territory Offset ²	N/A	Initial Illinois class/territory definitions maintained; thus, no offset calculated
Profit Load	5.4%	Function of premium
Reinsurance Load	N/A	Rate development does not include a reinsurance load
Investment Income Provision	(7.1)%	Function of premium
Schedule Credit/Debit	(12.3)%	Premium used is net of schedule credits/debits
Other – ULAE ³	9.1%	Function of loss and ALAE

¹ LAE refers to loss adjustment expense.

² OMSNIC does not utilize a class plan.

OMSNIC's territory plan definitions are:

Territory I: Cook County

Territory II: DuPage, Kane, Lake, McHenry, Will, Madison, and St. Clair Counties

Territory III: Remainder of State

³ ULAE refers to unallocated loss adjustment expense.

General Description of Assessing OMSNIC's Loss Reserves

As part of our reserve work for OMSNIC, we review the Company's claims experience as of November 30th and provide estimates of ultimate loss and ALAE (and the corresponding unpaid loss and ALAE) by year, separately for the claims-made and tail business written. For credibility purposes, the analysis is conducted on a countrywide basis and designed to produce both gross and net of reinsurance estimates. The following actuarial projection methodologies are included:

- Incurred loss development method;
- Paid loss development method;
- Frequency/severity method;
- Hindsight outstanding method; and
- Bornhuetter-Ferguson method.

The results of our November 30th analysis are then used in conjunction with the actual year-end data in order to assess OMSNIC's year-end carried loss and loss adjustment expense reserves. In order to monitor OMSNIC's loss reserves between December 31st and the following November 30th, we also provide OMSNIC with loss development "benchmarks" in order to compare the emerging experience to that implicit in our year-end loss reserve estimates. Lastly, we perform a limited review reserve analysis for OMSNIC's claims-made business only (from which the bulk of its reserves stem) as of June 30th each year, in conjunction with our rate-making work for OMSNIC.

Illinois-Specific Ultimate Loss and ALAE

The final item we were asked to provide was to develop Illinois-specific ultimate loss and ALAE by referencing our November 30, 2008 countrywide reserve analysis (note that we have not referenced our December 31st analysis, as the requisite detail underlying our November 30th analysis was more readily available, although we have shown the 2008 year on a full-year basis). For the claims-made business, we have allocated our indicated countrywide incurred but not reported (IBNR) reserves using our countrywide IBNR-to-case ratios by year. We did this separately for both loss and ALAE. For the occurrence (i.e., tail) business, we relied on an IBNR-to-case ratio to allocate the IBNR through the 2007 accident year, but for the 2008 cancel year relied on an IBNR-to-premium ratio, due to the high leverage in the IBNR-to-case ratio for this year. We also combined loss and ALAE for the tail business, as this is the manner in which our reserve analysis is performed. The following tables summarize the results of this process for the State of Illinois for claims-made and tail coverage, respectively:

SUMMARY OF ILLINOIS PREMIUM AND CLAIMS EXPERIENCE GROSS OF REINSURANCE CLAIMS-MADE COVERAGE AS OF NOVEMBER 30, 2008						
Report Year	Direct Earned Premium¹	Paid Loss & ALAE	Case Reserve Loss & ALAE	Incurred Loss & ALAE	Ultimate Loss & ALAE	Unpaid Loss & ALAE
1999	\$740,503	\$498,675	\$0	\$498,675	\$498,675	\$0
2000	798,524	110,218	35,827	146,045	162,082	51,864
2001	828,584	409,646	0	409,646	409,646	0
2002	946,054	170,406	0	170,406	170,406	0
2003	1,146,690	130,949	0	130,949	130,949	0
2004	1,284,786	1,041,378	0	1,041,378	1,041,378	0
2005	1,431,908	417,823	192,393	610,216	848,359	430,536
2006	1,438,789	305,007	135,339	440,347	600,168	295,161
2007	1,456,671	134,150	176,116	310,266	961,070	826,920
2008 ²	1,515,813	10,245	17,977	28,222	703,396	693,151
Total	\$11,588,322	\$3,228,499	\$557,652	\$3,786,151	\$5,526,130	\$2,297,631

¹ Includes premium for claims-made and occurrence business (an allocation between the two was not readily available).

² 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims.

SUMMARY OF ILLINOIS PREMIUM AND CLAIMS EXPERIENCE GROSS OF REINSURANCE TAIL COVERAGE AS OF NOVEMBER 30, 2008						
Cancel Year	Direct Earned Premium ¹	Paid Loss & ALAE	Case Reserve Loss & ALAE	Incurred Loss & ALAE	Ultimate Loss & ALAE	Unpaid Loss & ALAE
1999	\$740,503	\$0	\$0	\$0	\$0	\$0
2000	798,524	0	0	0	0	0
2001	828,584	0	0	0	0	0
2002	946,054	0	0	0	0	0
2003	1,146,690	0	0	0	0	0
2004	1,284,786	0	0	0	0	0
2005	1,431,908	281,923	25,405	307,328	316,143	34,221
2006	1,438,789	33,637	66,363	100,000	140,983	107,346
2007	1,456,671	32,590	46,114	78,704	224,400	191,810
2008 ²	1,515,813	1,181	0	1,181	16,682	15,501
Total	\$11,588,322	\$349,331	\$137,881	\$487,212	\$698,209	\$348,878

¹ Includes premium for claims-made and occurrence business (an allocation between the two was not readily available).

² 2008 adjusted to reflect twelve months of exposure.

Other Considerations

Kathy, several final points should be made. First, any study of rate level requirements involves estimates of future contingencies. A coverage such as medical malpractice, with its volatile swings in frequency and severity patterns, is especially difficult to estimate. While our indications represent our best professional judgment, arrived at after careful actuarial analysis of the available data, it is important to note that a significant degree of variation from the projected underwriting results is not only possible, but in fact, probable. While the degree of such variation cannot be quantified, it could be in either direction from our estimates.

Second, we have relied on information prepared by OMSNIC without audit or independent verification. If the data or information provided to us is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Finally, this report has been prepared for the use of and is only to be relied upon by the management of OMSNIC. No portion of this report may be provided to any other party without Milliman's prior written consent. In the event such consent is provided, the report must be provided in its entirety. This report may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman or Milliman's estimates in securities filings, analyst meetings, and press releases are not authorized. We understand that OMSNIC may provide this letter to the Illinois Department of Insurance in support of its

Ms. Katherine Ehmann
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response to the Department's data call. We consent to such distribution so long as the letter is provided in its entirety.

We appreciate working with OMS National Insurance Company on this project. If you have any questions, please let us know.

Sincerely,

Chad C. Karls, FCAS, MAAA
Principal and Consulting Actuary

Susan J. Forray, FCAS, MAAA
Consulting Actuary

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OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Claims-Made Coverage @ 11/30/08

Derivation of Gross Ultimate Loss

	(1)	(2)	(3) (1) x (2)	(4)	(5)	(6) (4) x (5)	(7)	(8)	(9) (7) + (8)
Report Year	Illinois Case O/S Loss	Countrywide IBNR to Case Ratio ¹	Case Method Indicated Illinois Loss IBNR	Direct Earned Premium	Countrywide IBNR to Premium Ratio ¹	Premium Method Indicated Illinois Loss IBNR	Selected Illinois IBNR	Illinois Incurred Loss	Illinois Ultimate Loss
1999	0	61.6%	0	740,503	0.51%	3,798	0	71,061	71,061
2000	0	189.5%	0	798,524	0.54%	4,333	0	47,500	47,500
2001	0	57.9%	0	828,584	1.01%	8,397	0	100,239	100,239
2002	0	7.6%	0	946,054	2.42%	22,872	0	0	0
2003	0	112.6%	0	1,146,690	2.23%	25,533	0	50,000	50,000
2004	0	187.2%	0	1,284,786	4.49%	57,735	0	914,000	914,000
2005	25,000	150.9%	37,733	1,431,908	5.14%	73,580	37,733	75,000	112,733
2006	10,000	126.4%	12,642	1,438,789	12.15%	174,881	12,642	60,000	72,642
2007	70,000	705.2%	493,645	1,456,671	25.21%	367,290	493,645	70,000	563,645
2008	0	481.0%	0	1,515,813	29.23%	443,089	443,089	0	443,089
Total	105,000		544,021	11,588,322		1,181,507	987,110	1,387,800	2,374,909

¹ From OMSNIC company wide reserve analysis as of 11/30/08
Note: 2008 adjusted to reflect twelve months of exposure.

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Claims-Made Coverage @ 11/30/08

Summary of Illinois Loss - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred Loss	Paid Loss	Selected Ultimate Loss	Unpaid Loss @ 11/30/08	IBNR @ 11/30/08
1999	740,503	71,061	71,061	71,061	0	0
2000	798,524	47,500	47,500	47,500	0	0
2001	828,584	100,239	100,239	100,239	0	0
2002	946,054	0	0	0	0	0
2003	1,146,690	50,000	50,000	50,000	0	0
2004	1,284,786	914,000	914,000	914,000	0	0
2005	1,431,908	75,000	50,000	112,733	62,733	37,733
2006	1,438,789	60,000	50,000	72,642	22,642	12,642
2007	1,456,671	70,000	0	563,645	563,645	493,645
2008	1,515,813	0	0	443,089	443,089	443,089
Total	11,588,322	1,387,800	1,282,800	2,374,909	1,092,110	987,110

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Claims-Made Coverage @ 11/30/08

Derivation of Gross Ultimate ALAE

	(1)	(2)	(3) (1) x (2)	(4)	(5)	(6) (4) x (5)	(7)	(8)	(9) (7) + (8)
Report Year	Illinois Case O/S ALAE	Countrywide IBNR to Case Ratio ¹	Case Method Indicated Illinois ALAE IBNR	Direct Earned Premium	Countrywide IBNR to Premium Ratio ¹	Premium Method Indicated Illinois ALAE IBNR	Selected Illinois IBNR	Illinois Incurred ALAE	Illinois Ultimate ALAE
1999	0	49.3%	0	740,503	0.15%	1,129	0	427,614	427,614
2000	35,827	44.8%	16,037	798,524	0.37%	2,967	16,037	98,545	114,582
2001	0	152.2%	0	828,584	0.86%	7,131	0	309,408	309,408
2002	0	162.8%	0	946,054	2.12%	20,018	0	170,406	170,406
2003	0	226.5%	0	1,146,690	2.85%	32,659	0	80,949	80,949
2004	0	232.3%	0	1,284,786	3.33%	42,764	0	127,378	127,378
2005	167,393	119.7%	200,410	1,431,908	3.82%	54,669	200,410	535,216	735,626
2006	125,339	117.4%	147,179	1,438,789	6.49%	93,350	147,179	380,347	527,526
2007	106,116	148.1%	157,159	1,456,671	9.56%	139,249	157,159	240,266	397,425
2008	17,977	193.7%	34,830	1,515,813	15.31%	232,085	232,085	28,222	260,307
Total	452,652		555,614	11,588,322		626,020	752,869	2,398,352	3,151,221

¹ From OMSNIC company wide reserve analysis as of 11/30/08

Note: 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Claims-Made Coverage @ 11/30/08

Summary of Illinois ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred ALAE	Paid ALAE	Selected Ultimate ALAE	Unpaid ALAE @ 11/30/08	IBNR @ 11/30/08
1999	740,503	427,614	427,614	427,614	0	0
2000	798,524	98,545	62,718	114,582	51,864	16,037
2001	828,584	309,408	309,408	309,408	0	0
2002	946,054	170,406	170,406	170,406	0	0
2003	1,146,690	80,949	80,949	80,949	0	0
2004	1,284,786	127,378	127,378	127,378	0	0
2005	1,431,908	535,216	367,823	735,626	367,803	200,410
2006	1,438,789	380,347	255,007	527,526	272,519	147,179
2007	1,456,671	240,266	134,150	397,425	263,275	157,159
2008	1,515,813	28,222	10,245	260,307	250,062	232,085
Total	11,588,322	2,398,352	1,945,699	3,151,221	1,205,522	752,869

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Claims-Made Coverage @ 11/30/08

Summary of Illinois Loss & ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Report Year	Direct Earned Premium	Incurred Loss & ALAE	Paid Loss & ALAE	Selected Ultimate Loss & ALAE	Unpaid Loss & ALAE @ 11/30/08	IBNR @ 11/30/08
1999	740,503	498,675	498,675	498,675	0	0
2000	798,524	146,045	110,218	162,082	51,864	16,037
2001	828,584	409,646	409,646	409,646	0	0
2002	946,054	170,406	170,406	170,406	0	0
2003	1,146,690	130,949	130,949	130,949	0	0
2004	1,284,786	1,041,378	1,041,378	1,041,378	0	0
2005	1,431,908	610,216	417,823	848,359	430,536	238,143
2006	1,438,789	440,347	305,007	600,168	295,161	159,821
2007	1,456,671	310,266	134,150	961,070	826,920	650,804
2008	1,515,813	28,222	10,245	703,396	693,151	675,174
Total	11,588,322	3,786,151	3,228,499	5,526,130	2,297,631	1,739,979

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

Note: Includes sub-limit claims

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Tail Coverage @ 11/30/08

Derivation of Gross Ultimate Loss & ALAE

	(1)	(2)	(3) (1) x (2)	(4)	(5)	(6) (4) x (5)	(7)	(8)	(9) (7) + (8)
Cancel Year	Illinois Case O/S Loss & ALAE	Countrywide IBNR to Case Ratio ¹	Case Method Indicated Illinois IBNR	Direct Earned Premium	Countrywide IBNR to Premium Ratio ¹	Premium Method Indicated Illinois IBNR	Selected Illinois IBNR	Illinois Incurred Loss & ALAE	Illinois Ultimate Loss & ALAE
1999	0	0.0%	0	740,503	0.00%	0	0	0	0
2000	0	0.0%	0	798,524	0.00%	0	0	0	0
2001	0	0.0%	0	828,584	0.01%	82	0	0	0
2002	0	0.0%	0	946,054	0.05%	477	0	0	0
2003	0	0.0%	0	1,146,690	0.01%	139	0	0	0
2004	0	52.3%	0	1,284,786	0.10%	1,337	0	0	0
2005	25,405	34.7%	8,816	1,431,908	0.13%	1,830	8,816	307,328	316,143
2006	66,363	61.8%	40,983	1,438,789	0.46%	6,657	40,983	100,000	140,983
2007	46,114	316.0%	145,697	1,456,671	0.73%	10,568	145,697	78,704	224,400
2008	0	6227.4%	0	1,515,813	1.02%	15,501	15,501	1,181	16,682
Total	137,881		195,496	11,588,322		36,592	210,997	487,212	698,209

¹ From OMSNIC company wide reserve analysis as of 11/30/08

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.

OMS National Insurance Company
Oral Surgeons Professional Liability (Direct Business)
Tail Coverage @ 11/30/08

Summary of Illinois Loss & ALAE - Gross of Reinsurance

	(1)	(2)	(3)	(4)	(5) (4) - (3)	(6) (4) - (2)
Cancel Year	Direct Earned Premium	Incurred Loss & ALAE	Paid Loss & ALAE	Selected Ultimate Loss & ALAE	Unpaid Loss & ALAE @ 11/30/08	IBNR @ 11/30/08
1999	740,503	0	0	0	0	0
2000	798,524	0	0	0	0	0
2001	828,584	0	0	0	0	0
2002	946,054	0	0	0	0	0
2003	1,146,690	0	0	0	0	0
2004	1,284,786	0	0	0	0	0
2005	1,431,908	307,328	281,923	316,143	34,221	8,816
2006	1,438,789	100,000	33,637	140,983	107,346	40,983
2007	1,456,671	78,704	32,590	224,400	191,810	145,697
2008	1,515,813	1,181	1,181	16,682	15,501	15,501
Total	11,588,322	487,212	349,331	698,209	348,878	210,997

Note: Direct earned premium includes both claims-made and occurrence business.

Note: 2008 adjusted to reflect twelve months of exposure.